



October 25, 2018

*Via Electronic Mail*

Ms. Ann Misback  
Secretary  
Board of Governors of the Federal Reserve System  
20<sup>th</sup> Street and Constitution Avenue, N.W.  
Washington, D.C. 20551

Re: Report of Institution-to-Aggregate (I-A) Granular Data on Assets and Liabilities on an Immediate Counterparty Basis (FR 2510, OMB No. 7100-to be assigned)

Ladies and Gentlemen:

The Bank Policy Institute<sup>1</sup> appreciates the opportunity to comment on the Federal Reserve's proposal<sup>2</sup> to implement in the U.S. the Report of Institution-to-Aggregate Granular Data on Assets and Liabilities on an Immediate Counterparty Basis (FR 2510). While the proposed FR 2510 represents a significant step forward toward much-needed measures to narrow the scope of the data collection from what was originally proposed by the Financial Stability Board, we believe that further important changes to the proposal are necessary to permit more accurate and timely reporting of the information requested.

The proposed FR 2510 will require the reporting of substantial data regarding assets, liabilities and off-balance sheet exposures of U.S. GSIBs by instrument, currency, maturity and sector beginning with the March 31, 2019 reporting date. The proposed FR 2510 would also collect data covering detailed positions for each U.S. GSIB's top 35 countries of exposure on an immediate-counterparty basis, as well as information on financial derivatives by instrument type, and foreign exchange derivatives by currency. The proposed timeline presents significant challenges for the firms for the following reasons:

- While all firms will need to substantially revise their reporting systems, several will need to rely on external vendors to design necessary software programs to facilitate the required reporting. Since external vendors normally do not begin to design software and build templates until a final rule is adopted and technical specifications are issued by the Federal Reserve, coupled with the Federal Reserve's need to review all comments received on the proposal once the comment period for the proposal closes on October 26, it is

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<sup>1</sup> The Bank Policy Institute is a nonpartisan public policy, research and advocacy group, representing the nation's leading banks and their customers. Our members include universal banks, regional banks and the major foreign banks doing business in the United States. Collectively, they employ almost 2 million Americans, make nearly half of the nation's small business loans, and are an engine for financial innovation and economic growth.

<sup>2</sup> Federal Reserve, *Report of Institution-to-Aggregate (I-A) Granular Data on Assets and Liabilities on an Immediate Counterparty Basis*, 83 Fed. Reg 43,680 (Aug. 27, 2018).

unlikely that such software will be available to the firms with sufficient time for the firms to test and subject their reporting to their normal internal control and review procedures for 1Q19 reporting.

- Several U.S. GSIBs currently are devoting substantial resources to completing transformative changes to their regulatory reporting systems, including creation of firmwide regulatory databases that will improve and make more efficient their overall regulatory reporting. Being required to divert substantial resources away from these critical initiatives at the same time firms are busily preparing for the upcoming CCAR cycle as well as other new reporting initiatives, such as the proposed reporting for the single counterparty credit limit, will impose a substantial burden on banks to collect and report the required data and subject that data to their internal control and review and challenge processes.
- Additional time is needed for the firms to develop the required controls for a new report, both to deliver quality information for the first time and develop a BAU process.

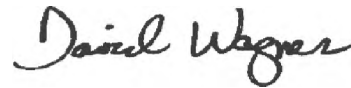
For these reasons, we recommend that FR 2510 reporting begin in 4Q19 (but no earlier than 3Q19) with a parallel “best efforts” filing for the prior quarter. This “best efforts” 2Q19 or 3Q19 filing would also allow the Federal Reserve to review the initial “best efforts” filings and determine which analytic reviews should be performed, areas of inconsistency in reporting by the banks that should be addressed (perhaps through issuance of clarifying instructions, etc.).

In addition, we believe that there are a number of technical amendments and clarifications that the Federal Reserve should make to the proposal. These recommendations are described in Appendix A to this letter.

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The Bank Policy Institute appreciates the opportunity to comment on the proposal. If you have any questions, please contact me at (212) 613-9883 ([David.wagner@bpi.com](mailto:David.wagner@bpi.com)).

Respectfully submitted,



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## **Appendix A**

1. There is insufficient time to determine top 35 countries to report in the FR 2510 due to the availability of data needed to make that assessment. The determination of the top 35 countries to report includes data from the current quarter and the prior 3 quarters. However, current quarter data is based on the FFIEC 009, which is due 45 calendar days after the reporting month, but which is only 5 days prior to the due date for the FR 2510 for the first, second and third quarters, and 15 days for the fourth quarter. This leaves insufficient time for the banks to complete the reporting. We recommend modifying the proposal to require that the top 35 countries be determined based on the four quarters preceding the current reporting quarter.
2. We recommend that the Federal Reserve clarify the proper scope of reporting client clearing derivatives including (1) riskless principal transactions and (2) agency transactions for the FR 2510 Financial Derivatives and FX Derivatives schedules. While the FR Y-15 Schedule D, item 1 requires the reporting of client clearing activities including riskless principal transactions and agency trades when the firm guarantees the performance of the CCP, the FR Y-15 does not include agency trades when the firm guarantees the performance of the client to a CCP. In contrast, the FR Y-9C and FR 2436 both do not include any client clearing derivatives.
  - a. In the proposed FR 2510 Financial Derivatives schedule, the total for item 2, column 3 (Centrally Cleared OTC Derivatives, notional) is to be sourced from the FR Y-15, Schedule D, item 1.
  - b. In contrast, the proposed FR 2510 FX Derivatives schedule anchors to the FR Y-9C, Schedule HC-L, and to the FR 2436.

We recommend that the population of FX derivatives to be reported in both the proposed FR 2510 Financial Derivatives and FX Derivatives Schedules should be the same and aligned with the scope of U.S. GAAP reporting and the FR Y-9C, which would exclude all client clearing transactions. This treatment also would eliminate the uncertainty regarding reporting for the two quarters for which the FR 2436 is not required.

3. Since there are differences for CUSIP netting between reporting on the FR Y-9C as compared to reporting on the FFIEC 009, as we have described previously,<sup>3</sup> we recommend that FFIEC 009 CUSIP netting be used for purposes of the FR 2510 to better align with the operational process that will produce the data needed for the FR 2510 report.
4. The draft instructions are silent regarding the determination of country of residence for individuals. We recommend that the instructions be clarified and be consistent with such determination for purposes of the FFIEC 009, which is based on the country of domicile and not the country of citizenship. This clarification will reduce the reporting burden.
5. We recommend that the Federal Reserve create a FAQ process with respect to questions submitted by the reporting banks to the Data Hub, as an efficient means of communicating promptly with the reporting entities.
6. We recommend the Federal Reserve release a form including cell MDRM references and edit checks to enable the GSIBs to initiate the system build.
7. We recommend update the instructions to include specific inclusion/exclusion requirements for the following line items in Table 1:
  - a. Assets: Line 8 Other Financial Advances and Instruments;

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See BPI Letter re: Reporting of Securities Financing Transactions ("SFTs") on FR Y-15 Schedule E – Cross-Jurisdictional Activity Indicators (Aug. 17, 2018).

- b. Assets: Line 13 Other Assets;
  - c. Liabilities: Line 7 Other Financial Payables;
  - d. Liabilities: Line 11 Other Liabilities.
- 8. The current anchoring template released by the Federal Reserve includes a prior version of the FR Y-9C. We suggest that a new template be released which is anchored with the current version of the FR Y-9C form.
- 9. We recommend the following be clarified with regards to the anchoring template for Table 1, Assets:
  - a. Per the Asset instructions, Line 1 “Cash and Balances due from Banks” include certificates of deposits held in the trading account. The Asset instructions for Line 5.3 provide for inclusion of negotiable and/or tradable CDs. Is there a distinction between CDs held in the trading account versus tradable CDs? If so, please clarify the distinction or clarify which line trading CDs should be reported.
  - b. The instructions for Line Item 2: Resale Agreements (Assets) & Line Item 2: Repurchase Agreements (Liabilities) provide that net claims and liabilities should be reported based on the country and sector of the *top tier counterparty*. We would like additional clarification regarding the definition of “Top Tier counterparties”.
  - c. The instructions for Line 4.3 “Other Loans” include federal funds sold; however, per the anchoring document Line 8 “Other Financial Advances and Instruments” includes FR Y-9C Schedule HC Line 3.a “Federal Funds sold in domestic office”. Please clarify where federal funds sold should be reported in the FR 2510.
  - d. Line item 7 (Equity Instruments) requires reporting of investments **with** readily determinable fair value. However, the anchoring template suggests a mapping with line 4 of HC-F (Equity Investments), which specifically includes equity securities **without** readily determinable fair values. Please clarify if Line 7 “Equity Instruments” should include only equity securities with readily determinable fair values or all equity investments.
  - e. Line Item 13 (Other Assets) requires reporting of direct investments in real estate ventures which is also reported in Line 09 of schedule HC of the FR Y-9C. However, the current anchoring template does not cross-reference the latter, hence we suggest the anchoring template also reference mapping to Line 09 of HC.
- 10. We recommend the following be clarified with regards to the anchoring template for Table 1, Liabilities:
  - a. The first sentence of the Liability instructions for Line 7 “Other Financial Payables” states that the amount of financial liabilities that cannot be classified under borrowings, deposits, debt securities, derivatives or short sales should be reported. However, the second paragraph of this line states “For short sales report....” Please clarify whether Line 7 “Other Financial Payables” should or should not include short sales.
- 11. Table 2 of the proposed form 2510 does not require reporting of reverse repos and securities lending with households. Therefore, we recommend the Federal Reserve clarify how a reverse repo/securities lending exposure with households should be reported.
- 12. The Off-balance sheet instructions for Table 2 Contingent Liabilities Subject to Credit Risk Section state that Line 2 “Credit Commitments Given” include only the unused portions of commitments which are legally binding and enforceable (e.g. not unconditionally cancellable). The anchoring document appears to indicate that the definition of “Credit Commitments given is identical to FR Y-9C Schedule L Line 1; however, FR Y-9C Schedule L Line 1 includes certain commitments such as unused credit card lines that may be unconditionally cancellable. Please clarify if the FR 2510 reporting should include all commitments included in FR Y-9C Line 1 or just those commitments that are not unconditionally cancellable?

13. Reporters should have the option to provide all data required instead of relying on auto populated lines.
14. The FR Y-15 has the same filing time periods - 50 calendar days after the March, June, and September as-of-dates, and 65 calendar days after the December as-of-date. We believe this will eliminate the ability to auto populate data from the FR Y-15 to the FR 2510.